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April 4, 1994

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Ex Parte Contact; CC Docket No. 92-237

Dear Mr. Caton:

It has come to the attention of the Ad Hoc Telecommunications Users Committee (the "Committee") that certain misrepresentations have been made regarding information submitted by the Committee in Reply Comments in the above-referenced Docket. Specifically, there has been at least one reference in the trade press, and some discussion referencing a "study" that was purportedly conducted by Economics and Technology, Inc. ("ETI") for the Committee on the costs of implementing local number portability. Supposedly this "study" quantified the costs of implementing local number portability at \$20 billion for the state of California alone. In fact, the Committee's comments in this Docket did not contain the results of a "study" on the cost of implementing number portability.

The March 15, 1994 edition of a publication entitled America's NETWORK makes reference to an ETI study of local number portability, and suggests that the Committee and the County of Los Angeles are opposed to paying for local number portability.

Some don't want to pay at all. A paper prepared by Economics and Technology, Inc. for the Ad Hoc Telecommunications Users Committee and the County of Los Angeles, Cal., suggests local number portability be tested in the marketplace before costs are incurred and unilaterally imposed on telecommunications users. The paper cites underestimated costs of 800

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number implementation. Extrapolating recent 800 database estimates puts the number portability price tag in the \$20 billion range for California alone.

At that price, the group questions the need for a network capability with uncertain demand. Yet the central issue remains one of open and equal competition rather than simple local number portability. But what price for choice, and will customers take advantage of competition.^{1/}

America's NETWORK misreports the data contained in the Ad Hoc Committee's Reply Comments and mischaracterizes the nature of those comments.

In its Reply Comments in this Docket, the Committee urged caution in moving towards local number portability, but certainly did not oppose local number portability. The section of the Committee's Reply Comments in contention is entitled "The Ventures Into This Unknown and Uncharged Territory." [pp. 9-13] Contrary to the representation made in America's NETWORK and reportedly being referenced in discussions on Capitol Hill, the Committee's comments did not include any "study" of number portability costs. Instead, the Committee noted the lack of data on the costs of number portability. "[T]he Commission should not make major technological commitments or adopt policies with significant costs and impacts without a comprehensive and accurate assessment as to their magnitude." [p.9]

The Committee used the implementation of 800 number portability as an illustration of how "soft" Local Exchange Carrier (LEC) estimates of the costs of implementing number portability might be. Specifically, the Committee cited to the vast growth in LEC cost estimates for 800 database implementation from the time that initial estimates were made to the time that the LECs filed for exogenous cost treatment of 800 database costs following implementation.

The Committee notes, for example, that the Commission's initial adoption of 800 number portability expressly relied upon explicit BOC representations as to the almost insignificant costs of its implementation:

All of the BOCs filed projected revenue requirements for data base 800 access service. According to these projections, the total interstate annual revenue requirements for 800 access service for the seven BOCs combined will be approximately \$20 Million.^{2/}

^{1/} America's NETWORK, March 15, 1994 "Local Number Portability Pits: Practicality vs. Portability", pp. 26-27.

^{2/} Provision of Access for 800 Service, CC Docket No. 86-10, 4 FCC Rcd 2824 (1989). Emphasis added, footnote omitted.

Moreover, even after it proposed, and subsequently imposed, certain additional requirements upon the BOCs with respect to coverage, post-dial delay, and other matters, no material cost impact beyond the previously-cited finding was identified by the Commission.^{3/} Now, however, on the eve of actual implementation of 800 data base access, the BOCs seek to revise -- and by a substantial amount -- the cost assessment upon which the Commission's adoption of 800 number portability had predicated. Extrapolating from a submission recently made to the FCC by Pacific Bell,^{4/} the cost of 800 database access is now being portrayed as amounting to more than \$2 billion

^{3/} Id., Recommendation and Second Supplemental Notice of Proposed Rulemaking, 6 FCC Rcd 5421 (1991).

^{4/} See Pacific Bell ex parte filing dated December 28, 1992, in CC Docket No. 86-10 filed in support of the Company's position that the costs it incurs in implementing the 800 Database Service should be treated as exogenous Z-adjustments under the Commission's Price Cap system. In that filing, Pacific asserted that "[t]he SS7 investment and expense associated with the FCC mandated implementation of 800 Database Service will reach \$353M [million] by 1995. These costs have been incurred by Pacific in order to deploy an SS7 network that meets the Commission's access delay standards. In fact, Pacific has developed equipment and facilities specifically for 800 Database Service which offers capabilities previously unavailable in the network." Previously, that same RBOC had given this Commission a considerably lower assessment of 800 Database costs: "Dedicated 800 Data Base costs are relatively minor." The Commission has asked for comments concerning the projected costs of implementing and deploying 800 Data Base Service. The investment associated with the SCPs and the SMS are specific to 800 Database Service ... The total net investment for the SCPs and the SMS is approximately \$16 million. The related total expense for the initial implementation of the 800 database plan through 1989 is approximately \$16 million. These costs translate into an initial interstate revenue requirement for 1989 of approximately \$3.7 million. This represents only 0.2 percent of Pacific Bell's \$1.7 billion interstate revenue ..." CC Docket 86-10 Comments, Pacific Bell, April 4, 1988, at 40-41. Emphasis in original, footnotes omitted.

William F. Caton

April 4, 1994

Page 4

through 1995.^{5/} With nearly one hundred time as many local and toll calls directed to ordinary NANP numbers as those dialed to '800' numbers, the price tag for "local number portability" *could, on the basis of the BOCs' latest figures, easily top \$20 billion.* [Committee and County of LA Reply Comments in 92-237, pp. 9-10, emphasis added]

The \$20 billion figure referenced in that Reply was in no sense (and did not purport to be) a quantitative "study" by ETI of the cost of implementing local number portability.^{6/} The \$20 billion was used *illustratively* to demonstrate to the Commission the need to nail down to the extent possible local number portability costs before proceeding. The Ad Hoc Committee was in no way postulating \$20 billion as a real cost of implementing number portability, but rather as an illustration of the *types of costs the Commission might see represented to it following implementation.* Specifically, the footnote immediately preceding the \$20 billion figure noted that the Ad Hoc Committee "strongly disputes" the veracity of the BOC-supplied 800 database implementation cost estimates used to develop the \$20 billion figure.

^{5/} While the use of this extrapolation is necessarily limited to providing an order-of-magnitude collective picture of the BOCs' latest claims, the Ad Hoc Committee strongly disputes their veracity. Revised cost projections such as those proffered by Pacific are being advanced by the BOCs in support of rates that bear no relationship with the costs they had previously identified to the Commission and upon which the Commission expressly found 800 number portability to produce positive net benefits to the public. Without reiterating the Committee's specific challenges to the veracity of these "revised" cost estimates, their very existence as "after-the-fact" attempts to recover purported costs in excess of those upon which important technology decisions were based pose serious cause for concern. The Commission should demand accurate cost and impact projections before it launches a new technological initiative, and should hold the carriers responsible, after the fact, for those cost estimates when considering and approving specific rate treatment.

^{6/} Note, also, that the \$20 billion illustrative figure is for nationwide deployment, not for California alone.

GARDNER, CARTON & DOUGLAS

William F. Caton

April 4, 1994

Page 5

In sum, the purpose of this filing is "to set the record straight" relative to the Commission's filing in CC Docket 92-237. If you have any questions on this matter, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "James S. Blaszak", written over a horizontal line.

James S. Blaszak

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